

ACCOUNTING PROCEDURE

TOPIC: Section 8--Capital Assets 2.1	EFFECTIVE DATE: 7/30/93
TITLE: Capitalization of Fund 490/495 Capital Projects (Construction Projects)	REVISION DATE: 9/24/04
AUTHORIZED BY: Cheryl Thompson, Financial Manager	PAGE 1 OF 4

BACKGROUND

This bulletin provides procedures to be used to capitalize Fund 490/495 Capital Projects. Department of Health and Family Services (DHFS) procedures are needed to conform to Department of Administration (DOA) policies and time lines for capital projects and preparation of financial statements according to generally accepted accounting principles (GAAP).

POLICY

The DOA State Controllers Office (SCO) Capital Projects Accounting Section, in consultation with Division of Facilities Development (DFD) project managers, and DHFS engineers will determine which state capital projects closed during a fiscal year are to be capitalized and which should be expensed. The Bureau of Fiscal Services (BFS) Special Services & Financial Statement(SSFS) will provide Organizations with a list of buildings, land and equipment capitalized, along with the DFD project number and project name. Organizations will be responsible for recording equipment as outlined in Item 6, below.

PROCEDURES

1. Annually, DOA/SCO will provide the BFS/SSFS a listing of closed state Capital Projects and designate whether or not the project should be capitalized as an asset or expensed as a repair. The listing will include the value to be capitalized or expensed.
2. BFS anticipates that this listing will **not** be received from DOA/SCO in time to be recorded on the current year capital asset inventory sub-system.
3. BFS/SSFS will make the necessary adjustments to each Organization's building and land inventory records when the information is received from DOA. The adjusted amount will be reported on the *Comprehensive Annual Financial Report* (CAFR). (Note: Equipment inventory is discussed in Item #5, below).
4. BFS/SSFS will provide to the Organizations' capital asset contact a memorandum identifying those closed state capital projects (including state-wide projects) that need to be added to the inventory records. Statewide projects will be allocated to organizations that benefited. (see Attachment 1).

5. DHFS policy is to capitalize equipment when placed in service. Therefore, equipment may be reflected on inventory records prior to the building, since construction projects may not be closed out for some time after substantial portions of the project are placed in service.

It is important that equipment be capitalized as separate items at acquisition cost and be properly tagged. It is not appropriate to capitalize both building and moveable equipment as part of the closed construction project's building value. Organizations are able to identify equipment purchases in Fund 490/495 projects primarily because the DFD Project Manager provides the Organization Facilities Management Services Director with the description, specification, and budget for requesting bids for such items. Organization staff solicit bids, and select the vendor according to State Purchasing Guidelines; and request DFD Project Manager approval of their encumbrance requests. As described in Section 8-Capital Asset 2.0 (State Capital Projects/Construction Projects Transaction & Monitoring Process), these purchases can be further identified as Phase 4 (Line 4 - Equipment) expenditures on the Capital Projects Accounting Website at <http://cpa.doa.state.wi.us/> (see Attachment 2).

6. Fund 490/495 assets recorded in the Microsoft Access Capital Asset Database or the standardized Microsoft Access Non-Capital Asset Database, **should use the appropriation 'AGF'** and reference the 5-digit project number in the asset description.

ATTACHMENTS

1. Sample Capital Inventory Adjustments audit memorandum
2. Project Budget Summary

REFERENCES

Capital Projects Accounting Website at <http://cpa.doa.state.wi.us/>
DHFS APP Section 8-Capital Assets 2.0 - (State Capital Projects/Construction Projects Transaction & Monitoring Process)
DHFS APP Section 8-Capital Assets 1.0 - (Capital Asset & Inventory System)

CONTACTS

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ATTACHMENT 1

From: Karen Greiber
To: Thornton, Eric
Subject: FY03 Capital Asset Inventory Adjustments

The Legislative Audit Bureau has completed their audit of the Department of Health and Family Services' capital inventory for the period ending June 30, 2002. As a result of the audit, a number of adjustments have been made to MMHI & MMHI PP's capital inventory records.

The adjustments pertain to closed construction projects. The Department of Administration (DOA) determines whether a Fund 490/495 construction project should be capitalized or expensed. This procedure is outlined in the Accounting Policy and Procedure Manual, Section 8 Fixed Assets - 2.1 Capitalization of Fund 490/495 State Capital Projects. The DOA has determined that the construction projects listed below should be capitalized. The acquisition date will be the date shown below.

Description	Project #	Cost	Date
MMHI Elec Mods Aims Report	99L1X	3,690.39	7/1/02
MMHI Repl Centrex System	99J1M	426,250.26	7/1/02
Mendota-Juvenile Treatment Ctr	98I2J	1,746,613.64	7/1/02
Mendota-goodland HL Sec Modif	98J2D	29,934.86	7/1/02

To add the projects to the capital inventory record, prepare a New Capital Asset Record (DMT-962). Keep in mind that the appropriation number for Fund 490/495 projects is 'AGF'.

If you have questions contact Karen Greiber via e-mail or call her at 608/266-3541.

Thank you.

CC: Otterson, James

ATTACHMENT 2

CPA Report: Project Balance Summary - Microsoft Internet Explorer provided by DHFS - State of Wisconsin

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Address <http://cpa.dhs.state.wi.us/reports/PtBalanceSummary.asp?OutputType=3&parm3=56502> Go Links

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Project Budget Summary

Project: [99J1K - CWC RENOVATE TOILET & BATHROOM](#)
Agency: 435 - Health & Family Services, Department of
Status: A
Manager: [Joe Sokal](#)

Phase	Budget	Expended	Encumbrances & Contracts	Balance
1	109,226.00	101,201.00	8,000.00	25.00
3	690,703.72	647,627.87	18,856.43	24,219.42
4	49,570.28	49,570.28	.00	.00
Grand Totals:	849,500.00	798,399.15	26,856.43	24,244.42

Note: Amounts presented include only transactions accepted on the WisMART accounting system.
Database Updated: April 23, 2004 at 3:55 AM

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